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Nigeria

Sugar

Annual

2003

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Report Highlights:
Nigeria's domestic sugar production was disrupted by the privatization exercise involving government-owned sugar companies. Dangote industries purchased the recently privatized savannah sugar company and has assumed formal management of the company. It is expected to take about two years to put the estate back in production. In the meantime, Nigeria continues to rely exclusively on imported sugar to satisfy a growing demand. The bulk of Nigeria's sugar imports comes from Brazil.

Includes PSD changes: Yes
Includes Trade Matrix: No
Annual Report
Lagos [NI1], NI

Executive Summary

Nigeria's national sugar consumption requirement is currently exclusively satisfied through imports. Field sources indicate that domestic sugar production in 2002/03 was negligible, due largely to disruptions caused by the privatization exercise. Nigeria's domestic sugar production in 2003/2004 is forecast to remain at the zero level, as the reactivation and rehabilitation of the cane fields and factory under the new management will take a while to be completed.

In March 2003, the GON commenced the long awaited privatization of government-owned sugar estates with the public sale of Savannah Sugar Company, Nigeria's largest sugar estate. In accordance with the provisions of the GON's privatization and commercialization act of 1999, the GON sold its shares of Savannah Sugar Company to Dangote Industries. The management of the estate was formally handed over to Dangote industries in late March 2003. The other government-owned sugar estates in Bacita, Sunti and Lafiaji are programmed for privatization before the end of the current year. The privatization exercise, when completed is expected to significantly improve the management of these estates and increase domestic production. Prior to the commencement of the privatization exercise, Nigeria's sugarcane production was almost entirely dependent upon the poorly managed government-owned and operated estates. Private sector investment in sugar production is limited to a few mid-sized cane farmers, small mini plants and outgrowers for the estates. Imports of raw sugar are forecast to increase to 600,000 MT in 2003, up from 450,000 MT last year, reflecting an anticipated increase in Dangote's refining capacity.

Exchange Rate : US$1 = 127 Naira

PSD Table : Sugar Cane for Centrifugal

PSD Table						
Country	Nigeria					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		11/2001		11/2002		11/2003
Area Planted	24	24	24	24	0	24
Area Harvested	24	24	24	0	0	0
Production	270	270	270	0	0	0
TOTAL SUPPLY	270	270	270	0	0	0
Utilization for Sugar	250	250	250	0	0	0
Utilizatn for Alcohol	20	20	20	0	0	0
TOTAL UTILIZATION	270	270	270	0	0	0

Production

Nigeria's domestic sugar production is forecast to remain at the current zero level due largely to disruptions caused by the on-going privatization exercise leading to a change in both management and ownership. The GON did not disburse funds to these estates largely because the privatization exercise was underway. Industry sources indicate that it will take at least two years for the new management to resume production from these estates. The sale of Savannah Sugar Company was concluded in March 2003, with Dangote industries emerging as the new owner of the company. The privatization of the other government-owned estates in Bacita, Lafiaji and Sunti is expected to follow suit shortly. Prior to the privatization of Savannah, the ADB funded rehabilitation and expansion program was already completed. The immediate objective of the group is to rehabilitate existing cane fields and to utilize existing factory capacity to produce 50,000 MT of white sugar per year. The company also plans to expand cane fields from the current 6,000 ha to 15,000 ha and to produce 105,000 MT of white sugar within the next 5 years.

Consumption

Nigeria's sugar imports in MY2003/04 is forecast at 1.15 million MT, up from 1.0 million tons estimated for MY2002/03. The forecast is based on increased demand for both industrial and direct human consumption. Trends in industrial activity utilizing sugar as a processing input, such as for soft drinks, pharmaceuticals, beverages and in the manufacture of confectionary products, suggest that sugar demand will continue to rise. Industrial usage accounts for almost 35 percent of the total sugar consumption in Nigeria. Soft drink production alone accounts for about half of total industrial usage.

PSD Table : Centrifugal Sugar

PSD Table						
Country	Nigeria					

Commodity	Centrifugal Sugar				(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		11/2001		11/2002		11/2003
Beginning Stocks	130	130	100	100	100	100
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	25	25	25	0	0	0
TOTAL Sugar Production	25	25	25	0	0	0
Raw Imports	615	450	800	600	0	800
Refined Imp.(Raw Val)	160	325	75	400	0	350
TOTAL Imports	775	775	875	1000	0	1150
TOTAL SUPPLY	930	930	1000	1100	100	1250
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	100	100	100	100	0	100
TOTAL EXPORTS	100	100	100	100	0	100
Human Dom. Consumption	730	730	800	900	0	1250
Other Disappearance	0	0	0	0	0	0
Total Disappearance	730	730	800	900	0	1050
Ending Stocks	100	100	100	100	0	100
TOTAL DISTRIBUTION	930	930	1000	1100	0	1250

Trade

Post revised Nigeria's imports of raw sugar in 20021/03 to 600,000 MT, down from 800,000 tons due to technical problems and temporary shut down of the refinery. The refinery is now back in full production and plans are on to expand its capacity to 1.2 million tons. Nigeria's 2003/04 imports of refined sugar is forecast to decline further to 350,000 MT (raw sugar equivalent), while raw sugar imports are forecast at 800,000 MT reflecting the anticipated increase in the Dangote's refining capacity. Dangote's sugar refinery was established to convert imported brown granulated sugar into to plantation white sugar performed below expectation. The bulk of Nigeria's sugar imports, both raw and refined comes from Brazil.

In the last quarter of 2002, the GON increased the duty on imported refined sugar from 15 percent to 50 percent, while the duty on raw sugar remain at 5 percent. The duty on refined sugar was later reduced to 30 percent, following agitations by the key importers of refined sugar. When VAT (5%), sugar development levy (5%) and port surcharge (7% of duty) are added, the effective duty rises to about 45 percent.

Policy

The stated policy of the Nigerian government is to move Nigeria quickly from dependence on imports to at least 70 percent self-sufficiency in domestic sugar production by 2010. The GON, through the National Sugar Development Council, provides support for private investors in local sugar production. The privatization of the existing government-owned, fully integrated sugar companies is part of GON's overall strategy of achieving self-sufficiency in the long run. Privatization is expected to improved the management of these estates and to stimulate production within the industry. The GON requires all sugar consumed in Nigeria to be fortified with Vitamin A and must have a minimum of 45 ICMSA.